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SUBJECT: ARGENTINE CABINET CHIEF SUPPORTS IMPROVED
COOPERATION

Classified By: Ambassador E. Anthony Wayne for reasons 1.4 (B) and (D).

11. (C) Summary. Argentine Cabinet Minister Alberto Fernandez told A/S Shannon on April 10 that he firmly supports the improvement in bilateral dialogue and cooperation, saying "we need to have good relations with the USG." Fernandez placed high priority on attracting U.S. investment and on resolving Paris Club debt issues. A/S Shannon and Ambassador Wayne explained the U.S. desire to help, but that Argentina needs to put forward a serious Paris Club offer. Fernandez agreed to meet with the leaders of the AmCham to discuss the investment climate and to work on some specific commercial issues. AF predicted that a solution would be found to the disagreement with Argentina's agricultural sector, but said the government would face more such protests. On Colombia, AF urged the USG to support a humanitarian release of hostage Ingrid Betancourt. On Venezuela, AF said Chavez took the GOA by surprise with his decision to nationalize Sidor, the steel company owned 60% by Argentina's Techint group. The Ambassador urged AF to meet with Northrop Grumman on its bid to supply Argentina with 3-D radars. At the Ambassador's request, AF agreed to look into the GOA's delay in signing a production contract with Lockheed Martin. AF welcomed news of upcoming visits by Southcom Admiral Stavridis by the USS George Washington and by FBI Deputy Director Pistole, and said he hopes to visit Washington in May. End summary.

Bilateral Relations on an Upswing

12. (C) A/S Secretary Thomas Shannon lunched April 10 with Argentine Cabinet Minister Alberto Fernandez (AF) at the Casa Rosada. Argentine Ambassador to the U.S. Hector Timerman and Ambassador Wayne accompanied. Timerman opened with an enthusiastic recounting of the very warm reception which President Bush had given him the day before while presenting his credentials in the White House. Timerman was clearly elated with the letter the President presented to him as well as the manner in which the President showed interest in his family history and broke protocol to look at the book of his father's experience in prison which Timerman had brought as a gift.

13. (C) A/S Shannon noted that President Bush's reception of the new Argentine Ambassador and the warm reception that he was receiving bode well for building the mature relationship which Alberto Fernandez (AF) has said many times before that Argentina seeks. He explained that we should find a way to normalize government-to-government conversations between Argentina and the United States so we

could maintain and build solid relations. As part of this effort, we planned to agree with the Foreign Ministry on a mechanism to maintain dialogue and a work plan on a wide variety of themes.

¶4. (C) AF said that he agreed fully with A/S Shannon's comments. All countries have differences of opinions, AF argued, but "no country in the world today can afford to be cut off from the United States." Plus, in the case of Argentina, we work together very well in the fight against terrorism and drug trafficking, and now with the passage of a federal law against trafficking in persons (TIP), hopefully we can add this area to the list of good cooperation. A/S Shannon offered his congratulations on the passage of the anti-TIP law and said he hoped we could share with Argentina some lessons we have learned in our own efforts to fight trafficking.

¶5. (C) Turning to economic themes, AF said he looked forward to working with the USG on financial and commercial matters. He said he knows that the USG and the IMF are not one and the same, but unfortunately too many people in Argentina treat the two as synonymous and place blame on the USG for the IMF's advice and stance during and following the 2001/2 economic crisis. But, Argentina wants to work with the USG to solve problems and to

create opportunities, especially by attracting more U.S. investment and for this we need good channels of communication. Argentina is working hard to develop mechanisms for better communication and cooperation with Brazil, AF said. For example, President Kirchner (CFK) would call President Lula April 10 to try to coordinate on President Chavez' decision to nationalize the Sidor steel plant. This Gov decision came as a surprise, AF said, and the GOA would coordinate its response with Brazil, as the Brazilians are also investors in the plant. He noted that Argentina is well-represented in the United States. Ambassador Timmerman has the full confidence of the President, and the new Consul General in Miami is also a well-trusted member of the "Calafate Group," an exclusive informal grouping of early supporters of Nestor Kirchner.

Paris Club

¶6. (C) A/S Shannon explained that we want a fluid and frank dialogue with Argentina. He then described the record of U.S. work in the hemisphere over the past seven years, and that President Bush wants to turn over a good set of productive regional relations to his successor next January. AF returned to the desire to have more U.S. investment and to solve the Paris Club debt issue. A/S Shannon indicated that, in his meeting earlier in the day with the directors of the American Chamber of Commerce, they all indicated a desire to work well as partners with the GoA and that they saw the importance of Argentina and Paris Club working out a solution that would help Argentina attract more financing and would open the way for subsequently addressing other investment and debt issues, such as the bondholders. The USG wants to help in finding a solution in the Paris Club process, the A/S said, as it would be good for the United States as well as Argentina to put the problem behind us. Economy Minister Lousteau's April 11 meeting with Treasury Secretary Paulson and his team would be a good opportunity to discuss possibilities.

¶7. (C) The Ambassador explained that it was important that Argentina present a serious proposal to the Paris Club that recognized the realities of the Paris Club perspective and need for consensus among its members, as well as the legal and other limits of key PC creditors, including the USG. There are several ways forward, including a voluntary payment plan, but right now there is probably a gap between what Argentina would like to do and what PC members would like to receive. A serious first offer is important and, with goodwill, a way can be found forward. AF said that Argentina could not accept an IMF role in an agreement for many reasons, but a role by allowing the IADB or another institution (e.g. OECD) to play an oversight role could be acceptable and provide some of the third-party expertise sought.

He noted that Argentina will have very heavy repayments of debt during 2009-2011 which would limit repayment possibilities, whereas after 2011 Argentina could handle additional repayments more easily. He said that CFK had conveyed a similar message while visiting Paris, and Lousteau will share it with Treasury Secretary Paulson at their April 11 meeting.

Antonini-Wilson

¶8. (C) AF said that the controversy over the Antonini-Wilson case and the trial in Miami is contained, but CFK is still very sensitive about it. She felt unfairly caught in the middle between the U.S. and Venezuela. After all, it was Argentine officials who found the money, and in the GoA view, the initial statements by U.S. prosecutors were in error. AF said they do think "mafiosi" were involved, but "we mean the business people doing shady deals involving Venezuela", not the USG. These guys do shady things here and in Florida, AF said. A/S

Shannon explained that this is an independent judicial process which has its own dynamic, with two of the four under arrest pleading guilty. But there is no question that U.S. authorities were and are very concerned about the efforts of the Venezuelan government to make illegal acquisitions and engage in other questionable operations in Florida.

U.S.-Argentine Mechanism

¶9. (SBU) Ambassador Timmerman explained that the United States and Argentina would revise a long dormant mechanism for high-level bilateral dialogue between the two governments. A/S Shannon said that this would not only be about foreign policy issues, but also cover economic matters as well as science and technology, for example. Ambassador Wayne explained that we had established dialogues like this around the world, and shared his experience in creating a wide-ranging dialogue with the European Union in the 1990s. He said we would need AF's support to get other ministries to participate; he agreed to do so.

Disagreement with the Agricultural Sector

¶10. (C) AF shared his perspectives on the serious dispute between the government and the rural sector over an imposition of higher export taxes. He noted that the rural sector in general exports without adding a great deal of value to the agricultural goods it sells. The government therefore believes it is in the interest of Argentina to impose export taxes so that money can be reinvested in other, higher value-added sectors and in public infrastructure. AF argued that, as international commodity prices rose, the government felt that it needed to capture more of the higher prices to use elsewhere and proposed a sliding tax, which, he argued, was designed so farmers would still realize additional profit. But farmers had already calculated and planned on the profit they were going to make and thus were angered when the government announced the new system. "They had won the lottery, and we were taking their winnings away," AF noted. He added that the rural sector also has a relatively small number of big producers and many smaller producers with smaller margins. The government now realizes it should not impose the same export taxes on them as it does on the big producers.

¶11. (C) In an apparent moment of frankness, AF said he had warned before the decision to impose the taxes that this was not a good time to do it as people's expectations were so high, but the decision was made to go ahead. The debate right now, he said, is all about the margin of profitability. And the situation is complicated because "not many people in the rural sector -- or in general -- pay their income taxes fully". AF predicted that through dialogue with the farm sector a solution would be found,

with the focus on collecting from the biggest 5,000 producers. But he noted that this did not mean there would be an end to problems for the government. Many people have different expectations these days. This is not a period of economic crisis any more. Others will be more willing to express their claims and challenge the government.

Conflict with the Press

¶12. (SBU) Ambassador Wayne asked about the President's criticisms of press coverage during the Agricultural strike, particularly of the largest daily, Clarin and its sister TV news channel. (Comment: The government has since indicated that it will strengthen monitoring of the media for discrimination, and Nestor Kirchner and allies have mounted a campaign against Clarin.) AF said that Clarin has very capable journalists, editors, and managers, but the problem is that it has too

much power. The Clarin group controls too many media of communications (press, TV, radio and cable). In addition, he continued, it wants to take a big position in broadcasting through cell phones. That is just too much concentration of power to influence public opinion, he concluded, and the government is reacting to that.

Investment Climate

¶13. (SBU) Returning to his meeting with the U.S. Chamber leaders, A/S Shannon said that the business leaders clearly see opportunity and potential in Argentina, but they also see a number of serious obstacles to more investment. They want to have a dialogue with the government in which they could be seen as partners in improving the climate for investment and thus allowing more investment to come. AF said that as he had told the Ambassador a few days earlier, he would be very happy to meet with the AmCham leaders in the next couple of weeks to initiate a better dialogue. CFK wants more U.S. investment, in part because "we don't see a large corruption problem with U.S. companies" as had been the experience with European companies, he said.

AF Visit to the U.S.

¶14. (SBU) A/S Shannon said he hopes that AF will reschedule his visit to the U.S. at his convenience. Ambassador Timmerman suggested that AF should call on relevant committee chairs of the House and Senate and on senior officials at State and the White House (given his chief of staff role). Ambassador Wayne recommended a call on Commerce Secretary Gutierrez and possibly at Treasury, too. AF said he would like to visit in May and added "we need to have good relations with the United States."

Venezuela

¶15. (C) In response to a question from A/S Shannon, AF said that President Chavez did not consult or even inform the GoA about his decision to nationalize the Sidor steel plant (which is 60% owned by the Argentine company Techint), to the GoA's great concern. A/S Shannon explained how he had several times tried to establish better relations and cooperation with Venezuela, focusing on concrete issues like stopping drug traffickers. But he had been rebuffed each time. He said he could only conclude that anti-Americanism has become so important for Chavez' domestic standing that he is not interested in better relations. AF said that CFK had a number of times in private questioned Chavez' behavior, but he wondered why Chavez did not want to cooperate in fighting drugs because he had not shown any sympathy for trafficking when talking to or working with the GoA. "Perhaps it is just the symbolism of cooperation with the United States that he does not want to accept," AF said. A/S Shannon said that might be it, but there should be a basis for communication and for

working on important problems between the U.S. and Venezuela.

Colombia

¶16. (C) A/S Shannon asked what CFK had discussed with President Sarkozy about the Colombia hostage situation during her visit to Paris earlier in the week. AF said the focus was on Ingrid Betancourt, and added that he hoped President Bush would be willing to call President Uribe in support of an effort to free her. This would be a good public sign from the USG as it would show care for the humanitarian aspects of this conflict. AF noted that the Argentines have the impression that Uribe does have a great deal of concern for Betancourt's situation. Shannon then provided a detailed description of the situation in Colombia, noting the deep lack of confidence between the

government and the FARC, the FARC's past manipulation of Colombian governments using hostages, and recalling the number of victims of FARC violence, as well as the very high popularity of Uribe's tough stance on the FARC.

¶17. (C) AF said that the GoA is not and never will be sympathetic to the FARC, but Betancourt is a symbol of humanitarian need, and right now it seems that she is not being freed because the government of Colombia will not halt its offensive against the FARC, with the U.S. supporting that stance. AF again urged a U.S. public statement in support of a humanitarian effort. A/S Shannon said that we have said a number of times that we support releases of hostages, but the government of Colombia has to be involved and consulted in any international humanitarian effort. Ambassador Timerman noted the example of the Israelis who have often released hundreds of prisoners to get a soldier back, and urged that the U.S. see support for a humanitarian release as consistent with its human rights leadership.

U.S. Visits and Commercial Issues

¶18. (SBU) Ambassador Wayne noted that the USS George Washington would be in Argentine waters the first week of May and that we would be inviting AF and CFK to fly aboard. SouthCom Admiral Stavridis will also visit that week. In the middle of May, Deputy FBI Director Pistole will also visit. AF welcomed the visits. Wayne reminded AF that he had had to cancel his meeting with Northrup Grumman (NG) during the ag crisis, but NG still hopes to compete to sell radars to Argentina. AF said he is favorable disposed to NG's quality and offered to meet with them with the Defense Minister present in the next two weeks if a senior company official can visit. (Subsequent press reports indicate that the GOA will allow NG to compete for the sale as a "gesture" to the United States; we are in the process of confirming.) Wayne informed AF that Lockheed Martin was going to have to shutdown operations very soon in Cordoba if the President does not sign the contract agreed upon last October. AF said that if the Ambassador sent him the specifics, he would address the problem.

¶19. (SBU) Finally, the Ambassador briefed AF on the excellent cooperation between the U.S. Department of Homeland Security and GoA to return thousands of pounds of Argentine fossils seized in the U.S. He suggested, and AF agreed, that we find a way to celebrate this cooperation once the fossils arrive in Argentina.

¶20. (U) WHA A/S Thomas Shannon cleared this cable.
WAYNE